

Message Text

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ACTION EA-09

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SP-02 LAB-04 SIL-01 OMB-01 STR-04 DODE-00 PM-05
H-01 L-03 NSC-05 PA-01 PRS-01 SS-15 CU-04 IGA-02
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TO SECSTATE WASHDC 3222
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 11004

E.O. 11652: GDS

TAGS: PGOV, JA, ID, ASEA, P

SUBJECT: JAPANESE PRIME MINITER VISITS JAKART

1. SUMMARY: JAPANESE PRIME MINITER FUKUDA AND ENTOURAGE, DURING AUGUST 12-14 VISIT TO JAKARTA, STRESSED "HEART TO HEART CONTACTS" AND INCREASED CULTURAL EXCHANGES WITH INDONESIA, IN ADDITION TO ECONOMIC COOPERATION. HIGHLIGHT OF VISIT WAS AN AGREEMENT FOR AN AID PACKAGE OF \$185 MILLION SIGNED BY FOREIGN MINISTERS OF BOTH COUNTRIES. IN CONCLUDING PRESS RELEASES, ISSUED BY BOTH LEADERS, SIGNIFICANT POINT OF DIVERGENCE WAS THE EXTENT TO WHICH JAPAN MIGHT OPEN UP ITS MARKET TO INDOENSAIN PRODUCTS. PRESS COVERAGE WAS HEAVY AND COMMENTARY WAS ONE OF WARINESS OF JAPAN'S TRUE INTENTIONS VIS-A-VIS ASEAN. DESPITE INDOENSAN SUSPICIONS, JAPAN IS RECOGNIZED AS IMPORTANT FACTOR IN CONTINUED ECONOMIC AND POLITICAL STABILITY OF SOUTHEAST ASIAN REGION. END SUMMARY.

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2. THE JAPANESE PRIME MINISTER FUKUDA AND A LARGE ENTOURAGE OF HIGH LEVEL OFFICIALS COMPLETED A THREE-DAY VISIT TO JAKARTA AUGUST 12-14. THE PRIMARY MESSAGE HE BROUGHT WITH HIM WAS THAT IT WAS TIME FOR JAPAN TO EXPAND ITS ROLES IN SOUTHEAST ASIA FROM A PURELY ECONOMIC SET OF RELATIONSHIPS TO ONE THAT WOULD ENCOMPASS "HEART TO HEAR CONTACTS THROUGH

MORE FREQUENT MEETINGS OF POLITICAL LEADERS AND THE PROMOTION OF CULTURAL EXCHANGES" IN THE PURSUIT OF WORLD PEACE AND SHARED PROSPERITY IN THE SOUTHEAST ASIAN REGION. UNLIKE HIS REPORTED PUBLIC STATEMENTS IN SOME OF THE OTHER ASEAN CAPITALS, PRIME MINISTER FUKUDA DID NOT DWELL ON HIS VIEW OF THE SECURITY SITUATION IN SOUTHEAST ASIA, NOR DID HE ALLUDE TO JAPAN'S DETERMINATION NOT TO BECOME A MILITARY POWER. RATHER, THIS SUBJECT MATTER WAS DEALT WITH INDIRECTLY AND LESS EMPHATICALLY IN A SERIES OF PRESS RELEASES ISSUED BY THE JAPANESE EMBASSY PRIOR TO FUKUDA'S ARRIVAL. IN ADDITION, JAPANESE EMBASSY PRESS RELEASES WENT INTO GREAT LENGTH TO HIGHLIGHT THE POSITIVE ASPECTS OF JAPAN'S ECONOMIC RELATIONS WITH INDONESIA AND PROVIDED DETAILED STATISTICS OF ITS TRADE WITH AND ECONOMIC ASSISTANCE TO INDONESIA OVER THE LAST TEN YEARS.

3. FOR THIS PART, PRESIDENT SUHARTO STRESSED THAT INDONESIA'S RELATIONS WITH JAPAN WERE NOT BASED ONLY ON TRADE AND ECONOMIC ASSISTANCE, BUT ALSO "ON SIMILARITIES IN THE DESIRES OF THE TWO COUNTRIES TO STRENGTHEN WORLD PEACE." WHILE ACKNOWLEDGING JAPAN'S IMPORTANT CONTRIBUTION TO INDONESIA'S DEVELOPMENT EFFORTS, SUHARTO SAID THAT BILATERAL COOPERATION COULD STILL BE "EXPANDED NOT ONLY IN THE ECONOMIC FIELD BUT, NO LESS IMPORTANT, ALSO IN THE SOCIAL AND CULTURAL FIELDS." TO REALIZE THESE EFFORTS, HOWEVER, SUHARTO SAID THAT THE MAJOR PROBLEM WOULD BE HOW TO BRIDGE THE GAP BETWEEN THE

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INDUSTRIALIZED AND DEVELOPING COUNTRIES, THE FAILURE OF WHICH WOULD JEOPARDIZE THE FUTURE SECURITY OF MANKIND.

4. ECONOMIC HIGHLIGHTS: THE PRESS REPORTED THAT THE JAPANESE LOANS AND GRANTS SIGNED IN JAKARTA ON AUGUST 13 BY FOREIGN MINISTERS ADAM MALIK AND IICHIRO HATOYAMA TOTALED \$185 MILLION AND THAT THIS REPRESENTED A FORTY PER CENT INCREASE OVER THAT OF THE PREVIOUS FISCAL YEAR. ACCORDING TO THE PRESS, \$177.5 MILLION WILL BE EARMARKED IN THE FORM OF LOANS WITHIN THE FRAMEWORK OF THE IGGI WITH REPAYMENT TERMS AND INTEREST OF THIRTY YEARS (TEN YEAR GRACE PERIOD) AND THREE PER CENT PER ANNUM. \$4.5 MILLION WILL BE IN THE FORM OF GRANTS FOR THE PURCHASE OF RICE FROM BURMA, \$2 MILLION IN GRANTS FOR THE CONSTRUCTION OF CATTLE BREEDING RESEARCH CENTERS IN MEDAN AND LAMPUNG, AND \$1 MILLION FOR THE IMPROVEMENT OF INDONESIA'S TELECOMMUNICATIONS NETWORKS. THE \$177.5 MILLION PORTION WILL BE ALLOCATED FOR THE CONSTRUCTION OF A STEAM POWER GENERATING PLANT IN GRESIK, THE PELITABAHARI DOCKYARD, THE JAMBI-MUARABANGA HIGHWAY AND THE

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IRRIGATION PROJECT IN WONOGIRI. (NOTE: THERE ARE DISCREPANCIES IN THE VARIOUS PRESS REPORTS CONCERNING THE AMOUNT OF INCREASE THE JAPANESE AID PACKAGE REPRESENTS AND WHAT THE BASIS WAS FOR ITS CALCULATION. THE EMBASSY WILL TRY TO SORT THIS OUT WITH THE JAPANESE EMBASSY AND REPORT LATER.) IN SEPARATE PRESS RELEASES ISSUED BY THE JAPANESE EMBASSY AND THE GOI, BOTH PRIME MINISTER FUKUDA AND PRESIDENT SUHARTO NOTED THAT INDONESIA'S FAVORABLE FOREIGN INVESTMENT CLIMATE SHOULD CONTINUE SO AS TO ENCOURAGE MORE JAPANESE PRIVATE INVESTMENT, AND AGREED GENERALLY TO ENHANCE BILATERAL COOPERATION IN THE ECONOMIC, SOCIAL AND CULTURAL FIELDS. BOTH LEADERS EXPRESSED SATISFACTION WITH THE PROGRESS OF THE ASAHAN HYDROELECTRIC AND ALUMINUM PROJECT AND HOPED THAT THE PROJECT WOULD CONTINUE TO BE "IMPLEMENTED SMOOTHLY." THEY ALSO TOOK NOTE OF THE SUCCESSFUL COMPLETION OF THE LNG PROJECT. A SIGNIFICANT POINT OF DIVERGENCE BETWEEN THE TWO LEADERS CONCERNED TRADE. IN HIS PRESS RELEASE, SUHARTO "AGAIN STRESSED INDONESIAN EXPECTATIONS THAT THE JAPANESE GOVERNMENT COULD IMPROVE THE ACCESS OF

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INDONESIA'S EXPORT COMMODITIES INTO THE JAPANESE MARKET THROUGH REMOVAL AND/OR RELAXATION OF EXISTING TARIFF AND NON-

TARIFF BARRIERS." PRIME MINISTER FUKUDA, ON THE OTHER HAND, MERELY RECOGNIZED THAT "A STABLE EXPANSION OF TRADE BETWEEN JAPAN AND INDONESIA WOULD MEET THE RESPECTIVE INTERESTS OF THE TWO COUNTRIES AND THE JAPANESE GOVERNMENT WOULD MAKE EVERY POSSIBLE EFFORT TO ACHIEVE THE DEVELOPMENT OF SUCH SOUND TRADE RELATIONS WITH INDONESIA."

5. PRESIDENT SUHARTO ACCEPTED PRIME MINISTER FUKUDA'S INVITATION FOR HIM AND HIS WIFE TO VISIT JAPAN. NO DATE HAS YET BEEN SET.

6. OTHER HIGHLIGHTS: PRIME MINISTER FUKUDA DECLINED AN INVITATION EXTENDED BY THE UNIVERSITY OF INDONESIA STUDENTS TO JOIN IN A DIALOGUE WITH THEM SAYING THAT HIS OFFICIAL PROGRAM WAS ALREADY FULLY BOOKED. HE SAID, HOWEVER, THAT HE WOULD BE PREPARED TO MEET THEM BRIEFLY IF THAT WAS THEIR WISH. THE STUDENTS DID NOT TAKE UP THE OFFER. IN REPLY TO A QUESTION DURING A PRESS CONFERENCE ON AUGUST 13, FUKUDA STATED THAT HIS GOVERNMENT WOULD CONTINUE "TO SYMPATHIZE WITH THE POLICY OF THE GOVERNMENT OF INDONESIA PERTAINING TO EAST TIMOR." ON THE ESTABLISHMENT OF THE UNIVERSITY OF ASEAN, FUKUDA SAID THAT HE WELCOMED THE IDEA, BUT SAID THAT IT WOULD CALL FOR "EXTENSIVE RESEARCH AND PREPARATIONS."

7. PRESS REACTION: PRESS COVERAGE OF THE FUKUDA VISIT WAS HEAVY AND EDITORIAL COMMENT (SEE USINFO JAKARTA, DTG - P R 150930Z AUG 77), ON THE ONE HAND, REMINDED JAPAN OF ITS PREVIOUS MISDEEDS, SUCH AS PROFITEERING AT THE EXPENSE OF ASEAN COUNTRIES, AND THE NEED TO BE MORE COGNIZANT OF THE SOCIAL AND CULTURAL ENVIRONMENT OF THE HOST COUNTRY, AND ON THE OTHER HAND, EXPRESSED THE HOPE THAT JAPAN WOULD BE MORE CONFIDENTIAL

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FORTHCOMING NOT ONLY IN PROVIDING ECONOMIC ASSISTANCE, BUT IN OPENING UP ITS MARKETS TO INDONESIAN PRODUCTS. EDITORIAL TONE WAS ONE OF WARINESS OF JAPAN'S TRUE INTENTIONS VIS-A-VIS ASEAN.

8. DESPITE OFFICIAL CONCERN OF A PREPETITION OF 1974 TANAKA RIOTS AND CONSEQUENT HEAVY SECURITY PRECAUTIONS INCLUDING FLAMBOYANT "SHOW OF FORCE" PARADES, JAKARTA REMAINED QUIET THROUGHOUT THE VISIT.

9. COMMENT: DESPITE THE WARINESS AND SUSPICION OF THE INDONESIAN PRESS, AND OF GOI OFFICIALDOM AS WELL, REGARDING THE INTENTIONS OF JAPAN IN THE SOUTHEAST ASIAN REGION, THERE IS NO DOUBT THAT INDONESIA RECOGNIZES THE IMPORTANCE OF JAPAN TO THE ECONOMIC AND POLITICAL STABILITY OF THE REGION AND ASEAN IN PARTICULAR. THE EXTENSIVE PRESS COVERAGE AND EDITORIAL COMMENT BEAR THIS OUT. WHILE THE GOING WILL NOT BE SMOOTH WHERE IT CONCERNS HARD ECONOMIC QUESTIONS, THE

MOST DIFFICULT ISSUES MAY BE CULTURAL AND POLITICAL.
IT IS PERHAPS WITH THIS IN MIND THAT FUKUDA STRESSED
"HEART TO HEART CONTACTS" AND INCREASED CULTURAL EXCHANGES
DURING HIS RECENT VISIT. ON AUGUST 15, A SENIOR FOREIGN
DEPARTMENT OFFICIAL TOLD EMBOFF THAT GOI IS RELATIVELY
SATISFIED WITH VISIT'S OUTCOME ON ECONOMIC MATTERS, BUT REMAINS
CONCERNED ABOUT JAPAN'S FUTURE RELATIONS WITH COMMUNIST
INDOCHINA. HE SAID GOI IS ALSO CONCERNED THAT JAPANESE
MAY STILL NOT FULLY UNDERSTAND THE DEPTH OF INDONESIA'S
SUSPICIONS OF JAPAN.
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